

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Treasury Meeting

Wednesday 26th August 2020

Virtual Meeting
10.00am

TERMS OF REFERENCE

OF THE TREASURY SUB COMMITTEE

Approved 5th June 2019, Minute 2880

Matters for determination by the Sub Committee.

1. To ensure that the Sub Committee meets at least twice a year.
2. To determine the future investment strategy of the funds held as long term investments, having taken professional advice.
3. To reinvest the income accumulated from the long term investments, having taken professional advice.
4. To invest future contributions received from developers. Having taken professional advice.
5. To undertake portfolio reviews of the investment strategy twice a year.
6. To plan cash management and determine the placing of short term cash surpluses in deposit accounts on an annual basis.

Matters for recommendation by the Sub Committee to the Finance and General Purposes Committee

7. To review the Treasury Management Policy.
8. To review the Capital Financing and Reserves Policy annually.

**Minutes of Treasury Sub-Committee Meeting
Of the Lower Severn (2005) Internal Drainage Board
Held Wednesday 11th March 2020 at 11.00am
At the LSIDB Offices**

Present:	Ald C Williams Mr J Cornock Mr J Nichols Cllr F Hance	Chairman Deputy for Cllr Riddle Deputy for Mike Barnes	
	Martin Dear Louise Reading	Accounts Officer Minutes	AO

****Please refer to your meeting papers as dated above for the documents referred to in these minutes****

3010	Election of Chairman for 2019/2020 The AO requested nominations for Chairman. Mr Cornock proposed Ald Williams and this was seconded by Cllr Hance. There were no further nominations. It was resolved unanimously that <ul style="list-style-type: none"> Ald Williams be elected Chairman of the Committee for the coming year. 	
3011	Apologies/Welcome Apologised were received from Mr Barnes and Cllr Riddle. The Chairman welcomed and thanked Cllr Hance and Mr Cornock who were deputising for Mr Barnes and Cllr Riddle. The Chairman extended his welcomes to new Treasury Sub-Committee Member Cllr Howells.	
3012	Chairman's Announcements. There were no announcements.	
3013	Declaration of Members' Interests There were no declaration of interests.	
3014	Minutes of the Previous Meeting It was resolved that: <ul style="list-style-type: none"> The minutes of the meeting held on 11th March 2020 be approved. 	
3015	Matters arising from the minutes All actions were complete.	
3016	Performance Schedule - Report from Smith and Williamson The Investment valuations, as in the papers, were as at 31 January 2020. The Chairman gave a brief history of the investment of developer's funds for Cllr Howells and the Members deputising. Mr Nicholls asked if the AO had the investment valuations as at today's date. The AO explained that today's figures had not been sought, the market was extremely volatile in light of Covid-19 and the market was rapidly changing.	

	<p>The investment valuations for 29 February 2020 will be sent to Members shortly and that the next report is due at the end of March 2020. It was felt that day to day monitoring provided no benefit in the current climate.</p> <p>Mr Nichols asked if the figures were net of charges. The AO advised the figures were gross. Charges were taken quarterly, by Smith & Williamson, from the investment account.</p> <p>Mr Nichols further asked if the AO could note the charges on the Smith & Williamson schedules.</p> <p>The Chairman suggested that a single sheet be compiled showing the management charges and that this be presented at future meetings.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • At future meetings a paper showing management charges be presented. 	<p><u>Action 1</u> The AO to include a charges summary for future meetings</p>
3017	<p>Review of Treasury Management Policy</p> <p>The AO did not propose any changes to the current policy.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The Treasury Management Policy, as per Appendix A, be presented to F& GP Committee and the Full Board for approval. 	
3018	<p>Review of Capital Financing and Reserve Policy.</p> <p>The AO presented the Capital Financial and Reserve Policy as per Appendix B.</p> <p>The Chairman suggested that under Capital the wording be replaced with:</p> <p>'this reserve is needed to regularly appropriate from the expected excess income arising annually from the Income and Expenditure Account a sum of such magnitude as to be sufficient to cover the expected cost of the Board's approved capital expenditure which is incorporated into its medium-term financial plan. The major element of this reserve will be to cover the expected cost of replacing pumps at pumping stations to meet the 2009 Eel Regulations'</p> <p>and delete all the yellow highlighted explanation at the end of the Policy.</p> <p>Discussion was held around the wording in the policy with particular reference to the aspect of depreciation of the new pumps. Cllr Howells felt this was beneficial to have this separate.</p> <p>It was agreed to accept the changes with the added request that the Chairman and the AO make any further minor amendments as they see fit.</p> <p>Discussion then took place concerning the management accounts and the presentation of the new pumps as a fixed asset, the capital reserve and the future depreciation of the new pumps.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> • The Capital Financing and Reserve Policy be amended and the Chairman and AO agree on any further minor amendments. 	<p><u>Action 2</u> The AO and Chairman agree any minor changes to the Capital Financing and Reserve Policy and any changes to the presentation of the management accounts</p>

	<ul style="list-style-type: none"> • The Capital Financing and Reserve policy, as per Appendix B, be presented to F& GP Committee and the Full Board for approval. • The AO and Chairman to discuss further and agree the presentation changes to the management accounts. 	
3019	<p>Balance Sheet and Developers funds as at 30th November 2019 <u>Balance Sheet</u> Members noted there were no material changes to the Balance Sheet since November 2019.</p> <p>Cllr Hance asked if the figures were audited. The AO explained that the Board was subjected to an annual internal audit performed by an external audit firm. The audit was classed as internal as the Board appointed the audit firm.</p> <p>The Board was subject to a National External audit where the audit firm were appointed by the Smaller Authorities' Audit Appointments Ltd. This external audit took the form of a distance audit where papers were sent to the External Audit firm. There was no visit to the Board's premises. The main form to be completed and sent to the External Auditors was the Annual Governance and Accountability Return (AGAR), which was completed on a cash basis. This meant that the management accounts needed adjusting to a cash basis before the AGAR could be completed.</p> <p><u>Developers Funds</u> The Chairman informed Members that there was £118,310 of Developer's funds in cash. He proposed that with the falling markers now would be a good time to invest further funds into the market.</p> <p>Cllr Hance commented that the stocks and shares may continue go down.</p> <p>The AO explained that there is an annual charge from the Developer's funds to the income and expenditure account. This is a transfer of cash, so £44,000 will transfer in 2020/21 and a further £45,000 in 2021/22. Currently we do not know if and when there will be future payments from new developers. The Investment in the market was originally agreed as a long term investment strategy and putting some monies in for a short term didn't agree with this strategy.</p> <p>The AO advised Members that it was important to keep the Board's cash flow and Developer's reserves separate at all times.</p> <p>Mr Cornock felt that the risk of investments dropping further outweighed the possible return.</p> <p>The AO also pointed out that should no developers fund be received over the next couple of years then the investments dividends would be needed to pay for the annual transfers to the income and expenditure account rather than invested in the market.</p> <p>It was resolved that</p> <ul style="list-style-type: none"> • Due to the volatility of the current market no further Developers' funds would be invested and for this to be revisited at the next meeting. 	
3020	<p>Schedule of Investments Members noted the schedule of investments for the periods</p> <ul style="list-style-type: none"> • 1st April 2017 – 31st January 2020; • 1st January 2019 - 31st January 2020; • 1st April 2019 – 31st January 2020; 	

	<ul style="list-style-type: none"> 1st January 2020 to 31st January 2020 for review. <p>It was resolved that:</p> <ul style="list-style-type: none"> For future meetings schedules for the current financial year, the current physical year and from April 2017 would be provided. 	
3021	<p>Cash Flow</p> <p>The AO reported that the current cashflow looked healthy however an expensive year was forecast with the pumps at two pumping stations being replaced. This will significantly impact amount of cash that the Board has.</p> <p>It was resolved that:</p> <ul style="list-style-type: none"> The cash flow forecasts be noted 	
3022	<p>Date of next meeting</p> <p>Members agreed that the next Treasury Sub-Committee would be held on Wednesday 26th August 2020 at 10.30am.</p>	
	The Meeting closed at 12.25pm	

Smith & Williamson – Fees and Charges.

Investments

The management charge is 1% per annum comprised of a 0.8% investment management fee and a 0.2% custody charge, payable in arrears on a quarterly basis.

Commission is charged on transactions at a rate of 0.6% on equities and 0.4% on fixed interest securities.

Tracker Fund

Fee reduced by two thirds to 0.33%.

Standard execution rate of 0.3% on purchases.

Fees and Charges

For the year ended 31 December 2019

- Management Charge - £7,031
- Fees on purchases/sales of Investments - £1,117
- Fees on purchase of Tracker Fund - £448

For the year ended 31 December 2020

- Management Charge
 - First Quarter - £1,652
 - Second Quarter - £2,010

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

BALANCE SHEET AS AT 30 JUNE 2020

	Note	£	30/06/20 £	30/06/19 £	Variance £	31/03/20 £	Variance £
FIXED ASSETS							
Fixed Assets	1	949,047	949,047	763,056	185,991	784,420	164,627
LONG TERM ASSETS							
Investments		764,833	764,833	636,139	128,694	668,038	96,795
CURRENT ASSETS							
Stock +WiP		53,748		45,909	7,839	52,116	1,632
Trade debtors		50		5,061	-5,011	6,418	-6,368
Drainage rate debtors		3,721		3,997	-276	295	3,426
Levy Debtors		0		0	0	0	0
VAT Claim		5,431		10,595	-5,164	8,322	-2,891
Special Levies		0		0	0	0	0
Developers Funds Due		0		0	0	0	0
Prepayments		27,098		29,342	-2,244	33,535	-6,437
Cash at bank and in hand		535,026		695,901	-160,875	127,931	407,095
Short term deposits		1,009,249		1,052,340	-43,091	1,108,312	-99,063
			1,634,323	1,843,145	-208,822	1,336,929	297,394
CURRENT LIABILITIES							
Trade Creditors		-32,907		-59,982	27,075	-39,291	6,384
Other Creditors		-28,770		-28,253	-517	-27,755	-1,015
Accrued expenses		-12,129		-5,180	-6,949	-23,177	11,048
Finance Leases due within one year		0		-532	532	0	0
Prepaid Rates	2	-76,037		-72,905	-3,132	0	-76,037
Prepaid Levies	2	-335,207		-324,394	-10,813	0	-335,207
Special Levies		0		0	0	0	0
Prepaid Developers Funds		-32,754		-31,827	-927	0	-32,754
			-517,804	-523,073	5,269	-90,223	-427,581
NET CURRENT ASSETS			1,116,519	1,320,072	-203,553	1,246,706	-130,187
TOTAL ASSETS LESS CURRENT LIABILITIES			2,830,399	2,719,267	111,132	2,699,164	131,235
LONG TERM LIABILITIES							
Finance Leases		0		0	0	0	0
Pension scheme deficit		-951,000		-1,276,000	325,000	-951,000	0
			-951,000	-1,276,000	325,000	-951,000	0
NET ASSETS			1,879,399	1,443,267	436,132	1,748,164	131,235
FINANCED BY:							
CAPITAL ACCOUNT			666,569	666,569	0	666,569	0
ACCUMULATED FUND							
Balance brought forward		546,655		572,203	-25,548	572,203	-25,548
Surplus for the 3 months		106,677		81,149	25,528	258,026	-151,349
Transfer to Capital Expenditure Reserve		-56,250		-50,000	-6,250	-200,000	143,750
Additional Transfer to Capital Exp. Res.		0		0	0	-200,000	200,000
Transfer from Capital Expenditure Reserve		0		0	0	116,426	-116,426
			597,082	603,352	-6,270	546,655	50,427
Developers Funds Reserve							
Investments at cost		650,000		500,000	150,000	650,000	0
Increase in value		114,833		136,139	-21,306	18,038	96,795
Investments at current value		764,833		636,139	128,694	668,038	96,795
Cash at Bank		76,253		268,310	-192,057	119,925	-43,672
			841,086	904,449	-63,363	787,963	53,123
Capital Expenditure Reserve			581,079	400,314	180,765	553,394	27,685
Pension reserve			-951,000	-1,276,000	325,000	-951,000	0
Revaluation Reserve			144,583	144,583	0	144,583	0
			1,879,399	1,443,267	436,132	1,748,164	131,235

Notes

1. Fixed assets include purchases, sales and depreciation for 3 months to 30 June 2020.
 2. In all these cases the balance sheet has been adjusted to reflect receipts
 3. This Reserve is held as cash and increases by £18,750 each month.
- There is a corresponding monthly charge in the income and expenditure account.

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Developers Funds June 2020

	£			
Balance at 1 April 2020	787,963			
Increase in value of investments	96,795			
Transfer of cash to investments	0			
Interest on Cash held in Deposit Account	0			
Developers Contributions - received	0			
Transfer to Board 2020/21				
Sevenside drawdowns	-43,672			
Current Balance	841,086	split	Investments	£ 764,833
			Cash at Bank	76,253
Estimated balance 31/03/2021	841,086	split	Investments	£ 764,833
			Cash at Bank	76,253

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Investments

For the Period 1 April 2017 to 30 June 2020

Non Equity Investment	Value		£
	01-Apr-17 £	30-Jun-20 £	
Kames Capital	25,633	0	
Transfer to Equity Investment		12,358	
Schroder Unit Trust	25,274	23,832	
Invesco Fund	25,612	38,654	
John Laing Infra	27,784	0	
Sequoia Economic	25,358	23,920	
Standard Life Inv Prp	25,930	17,907	
Picton Property	27,847	22,577	
3i Infrastructure	0	35,100	
	<u>183,438</u>	<u>174,348</u>	

Equity Investment	Value		£
	01-Apr-17 £	30-Jun-20 £	
Monks Investment Trust	0	73,920	
Artemis Global Income	30,455	25,281	
Standard Life UK Sml Co	0	28,197	
Schroder UK Mid Cap	42,504	40,526	
Murray Income	54,853	73,920	
Invesco UK Smaller Companies	33,133	32,256	
Link Fund Solutions Trojan Income	52,916	0	
Link Fund Solutions Miton	30,825	0	
North American Income	30,135	35,313	
European Investment Trust	31,920	46,020	
Henderson Far East Income	30,209	0	
Pacific Horizon	0	55,085	
Polar Emerging Markets	29,726	25,134	
Transfer from Non Equity Investment		-12,358	
	<u>366,676</u>	<u>423,294</u>	
Investment Cash	<u>8,544</u>	<u>15,078</u>	
	558,658	612,720	
Income Cash	<u>4,827</u>	<u>4,043</u>	
Total All Securities	563,485	616,763	

Tracker Fund	Value	
	19-Dec-19	30-Jun-20
Vanguard FTSE All-World UCITS ETF		
Purchase cost December 2019	<u>149,713</u>	<u>148,070</u>
Total All Investments	713,198	764,833

All Securities				
Increase in value	53,278			
Increase in value - percentage		9.46%		
			Index	
MSCI WMA Balanced Index Increase		11.30%	01-Apr-17	2,101.14
MSCI WMA Balanced Index Increase in value	63,661		30-Jun-20	2,338.52
Difference	<u>-10,383</u>			
Tracker Fund				
Increase in value	-1,643			
Increase in value - percentage		-1.10%		
			Index	
MSCI World Index		-0.34%	19-Dec-19	321.05
MSCI World Index Increase in value change	-504		30-Jun-20	319.97
Difference	<u>-1,139</u>			
Difference	-11,522			

Notes:

1. Transfer of funds to Equity from Non Equity of £12,358
2. Investment of Cash in Equity of £16,299
3. Investment of additional cash in Vanguard FTSE All-World UCITS ETF of £149,713.

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Investments - Equity

For the Period 1 April 2017 to 30 June 2020

	Value				
	01-Apr-17	30-Jun-20			
	£	£			£
Monks Investment Trust	0	73,920			
Artemis Global Income	30,455	25,281			
Standard Life UK Sml Co	0	28,197			
Schroder UK Mid Cap	42,504	40,526			
Murray Income	54,853	73,920			
Invesco UK Smaller Companies	33,133	32,256			
Link Fund Solutions Trojan Income	52,916	0			
Link Fund Solutions Miton	30,825	0			
North American Income	30,135	35,313			
European Investment Trust	31,920	46,020			
Henderson Far East Income	30,209	0			
Pacific Horizon	0	55,085			
Polar Emerging Markets	29,726	25,134			
Transfer from Equity Investment		-12,358			
	<u>366,676</u>	<u>423,294</u>			
Increase in value			56,618		
Increase in value - percentage				15.44%	
				Index	
MSCI World Index Increase			27.89%	01-Apr-17	9,889.13
MSCI World Index Increase in value		102,259		30-Jun-20	12,647.02
		<u>-45,641</u>			
Adjustments:					
Additional Funds since Jan 19					
Sep-19 Murray Income	8,582	-8,756	2.02%	30-Sep-19	12,396.22
Oct-19 North American	7,717	-8,062	4.47%	31-Oct-19	12,105.56
Oct-19 Murray Income	12,358	-12,911	4.47%	31-Oct-19	12,105.56
		<u>-75,370</u>			
Difference					

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Investments

For the Period 1 January 2020 to 30 June 2020

Non Equity Investment	Value		£
	01-Jan-20 £	30-Jun-20 £	
Schroder Unit Trust	25,029	23,832	
Invesco Fund	38,136	38,654	
Sequoia Economic	26,818	23,920	
Standard Life Inv Prp	26,891	17,907	
Picton Property	32,253	22,577	
3i Infrastructure	35,340	35,100	
	<u>184,467</u>	<u>161,990</u>	

Equity Investment	Value		£
	01-Jan-20 £	30-Jun-20 £	
Monks Investment Trust	67,130	73,920	
Artemis Global Income	29,523	25,281	
Standard Life UK Sml Co	37,323	28,197	
Schroder UK Mid Cap	63,480	40,526	
Murray Income	86,240	73,920	
Invesco UK Smaller Companies	53,004	32,256	
North American Income	45,222	35,313	
European Investment Trust	39,294	46,020	
Pacific Horizon	37,950	55,085	
Polar Emerging Markets	30,728	25,134	
	<u>489,894</u>	<u>435,652</u>	
Investment Cash	8,176	15,078	
	<u>682,537</u>	<u>612,720</u>	
Income Cash	3,301	4,043	
Total All Securities	685,838	616,763	

Tracker Fund		
Vanguard FTSE All-World UCITS ETF	149,940	148,070
Total All Investments	835,778	764,833

All Securities

Increase in value	-69,075	
Increase in value - percentage		-10.07%

			Index
MSCI WMA Balanced Index Increase	-5.24%	01-Jan-20	2,467.80
MSCI WMA Balanced Index Increase in value	-35,929	30-Jun-20	2,338.52

Difference	<u><u>-33,146</u></u>	
------------	-----------------------	--

Tracker Fund

Increase in value	-1,870	
Increase in value - percentage		-1.25%

			Index
MSCI World Index	0.51%	01-Jan-20	318.34
MSCI World Index Increase in value change	768	30-Jun-20	319.97

Difference	<u><u>-2,638</u></u>	
------------	----------------------	--

Difference	-35,784	
-------------------	----------------	--

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Investments - Equity

For the Period 1 January 2020 to 30 June 2020

	Value			
	01-Jan-20	30-Jun-20		
	£	£	£	
Monks Investment Trust	67,130	73,920		
Artemis Global Income	29,523	25,281		
Standard Life UK Sml Co	37,323	28,197		
Schroder UK Mid Cap	63,480	40,526		
Murray Income	86,240	73,920		
Invesco UK Smaller Companies	53,004	32,256		
North American Income	45,222	35,313		
European Investment Trust	39,294	46,020		
Pacific Horizon	37,950	55,085		
Polar Emerging Markets	30,728	25,134		
	<u>489,894</u>	<u>435,652</u>		
Increase in value			-54,242	
Increase in value - percentage				-11.07%
				Index
MSCI World Index Increase			1.03%	01-Jan-20 12,517.99
MSCI World Index Increase in value			5,050	30-Jun-20 12,647.02
Difference			<u>-59,292</u>	

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Investments

For the Period 1 April 2020 to 30 June 2020

Non Equity Investment	Value		£
	01-Apr-20 £	30-Jun-20 £	
Schroder Unit Trust	21,661	23,832	
Invesco Fund	36,746	38,654	
Sequoia Economic	21,620	23,920	
Standard Life Inv Prp	24,999	17,907	
Pictou Property	29,593	22,577	
3i Infrastructure	29,700	35,100	
	<u>164,319</u>	<u>161,990</u>	

Equity Investment	Value		£
	01-Apr-20 £	30-Jun-20 £	
Monks Investment Trust	56,840	73,920	
Artemis Global Income	22,053	25,281	
Standard Life UK Sml Co	25,448	28,197	
Schroder UK Mid Cap	35,052	40,526	
Murray Income	67,760	73,920	
Invesco UK Smaller Companies	31,920	32,256	
North American Income	32,184	35,313	
European Investment Trust	34,692	46,020	
Pacific Horizon	33,925	55,085	
Polar Emerging Markets	21,752	25,134	
	<u>361,626</u>	<u>435,652</u>	
Investment Cash	12,112	15,078	
Total All Securities	538,057	612,720	
Income Cash	3,841	4,043	
	<u>541,898</u>	<u>616,763</u>	

Tracker Fund	Value	
	01-Apr-20	30-Jun-20
Vanguard FTSE All-World UCITS ETF		
Purchase cost December 2019	126,140	148,070
Total All Investments	668,038	764,833

All Securities			
Increase in value	74,865		
Increase in value - percentage		13.82%	
			Index
MSCI WMA Balanced Index Increase		11.06%	01-Apr-20 2,105.71
MSCI WMA Balanced Index Increase in value	59,913		30-Jun-20 2,338.52
Difference	<u>14,952</u>		
Tracker Fund			
Increase in value	21,930		
Increase in value - percentage		17.39%	
			Index
MSCI World Index		19.64%	01-Apr-20 267.45
MSCI World Index Increase in value change	24,771		30-Jun-20 319.97
Difference	<u>-2,841</u>		
	12,112		

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Investments - Equity

For the Period 1 April 2020 to 30 June 2020

	Value					
	01-Apr-20	30-Jun-20				
	£	£	£			
Monks Investment Trust	56,840	73,920				
Artemis Global Income	22,053	25,281				
Standard Life UK Sml Co	25,448	28,197				
Schroder UK Mid Cap	35,052	40,526				
Murray Income	67,760	73,920				
Invesco UK Smaller Companies	31,920	32,256				
North American Income	32,184	35,313				
European Investment Trust	34,692	46,020				
Pacific Horizon	33,925	55,085				
Polar Emerging Markets	21,752	25,134				
	<u>361,626</u>	<u>435,652</u>				
Increase in value			74,026			
Increase in value - percentage				20.47%		
MSCI World Index Increase				19.78%	Index	
MSCI World Index Increase in value			71,526		01-Apr-20	10,558.63
					30-Jun-20	12,647.02
			<u>2,500</u>			
Adjustments:						
Additional Funds since April 2019						
Sep-19 Murray Income		8,582	-8,756	2.02%	30-Sep-19	12,396.22
Oct-19 North American		7,717	-8,062	4.47%	31-Oct-19	12,105.56
Oct-19 Murray Income		12,358	-12,911	4.47%	31-Oct-19	12,105.56
Difference			<u>-27,229</u>			

COMMITTEE: Treasury Sub-Committee

MEETING DATE: 26.08.2020

REF: MD

REPORT BY: Accounts Officer

Consideration of Information Received from Baillie Gifford

Introduction

The attached email was sent on 30 July 2020.

A chasing email was sent on 12 August 2020, asking for a response by 26th August 2020.

At the time of dispatch of papers no response had been received.

An update will be given at the meeting.

Martin Dear

Accounts Officer

From: Martin Dear
To: ["trustenquiries@bailliegifford.com"](mailto:trustenquiries@bailliegifford.com)
Subject: Possible Investment
Date: 30 July 2020 10:34:00

Hello

I am contacting you on behalf of the Lower Severn (2005) Internal Drainage Board.

We are an Internal Drainage Board.

An Internal Drainage Board is a public authority, existing to defend a local area from flood risk and to manage water levels. It is a corporate body meaning that it acts as an entity with a legal existence separate from its Board Members.

The Board currently invests about £750,000.

We are interested in what you can offer for each of the following options:

1. Manage our current portfolio.

Which is:

Shares	Securities
25,750	Schroder Unit Trusts Strategic Credit L Dis
17,750	Invesco Fund Managers IP Corporate Bond Z Inc
23,000	Sequoia Economic Infra Inc Fd NPV
29,550	Standard Life Inv Prp Inc Tst Ord GBP0.01
33,250	Picton Property Income Limited Ord NPV
12,000	3i Infrastructure Ord NPV
7,000	The Monks Investment Trust Ord GBP0.05
30,000	Artemis Fund Managers Global Income Units Instl
5,850	Standard Life UK Sml Co Trust Ord GBP0.25
9,200	Schroder UK Mid Cap Fd PLC Ord GBP0.25
9,625	Murray Income Trust Ord GBP0.25
8,400	Invesco Perp UK Smlr Cos IT Ord GBP0.20
14,900	North American Inc Tst PLC Ord GBP0.05
4,425	Baillie Gifford Eurp Inv Ord GBP0.25
11,500	Pacific Horizon Inv Trust Ord GBP0.10
2,125	Vanguard Funds FTSE All-World UCITS ETF (GBP)
4,175	Polar Capital Funds Mkts Inc 5 GBP Dis NAV

2. Suggest a portfolio that meets the following requirements.

The objective is for a balanced approach with emphasis on investments considered

to offer a balance between longer term growth potential and current income.

Our current investment strategy is utilising a multi-asset portfolio.

3. Invest the total sum into the Baillie Gifford Managed Fund.

In this instance will you please provide with details of the present yield.

For all of the above will you please provide a list of the pros and cons, and the level of management charges, split between investment management fee and custody charge.

Will you please indicate what is your preferred option and the reasons why.

Also include, in your response, any other information that you consider to be relevant.

Thank you

Regards

Martin

Martin Dear

Accounts Officer

Lower Severn (2005) Internal Drainage Board

Waterside Buildings

Oldbury Naite

South Gloucestershire

BS35 1RF

Tel No. 01454 413340

Please note my normal hours of work are Wednesday & Thursday 9am to 4.30pm and Friday 9am to 3.30pm

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Expenditure Forecast for the Capital Programme - 2020/21 to 2027/28

As at 30 June 2020

		Budget	Previous Years Expenditure	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total 2020/28
		£	£	£	£	£	£	£	£	£	£	£
Pump Stations												
	No. of Pumps											
Oldbury	3	867,358	18,466	2,017						539,406	307,468	848,891
Marshfield	2	577,247	18,463	2,018		392,857	163,909					558,784
Lapperditch	2	514,500	19,865	340,135	154,500							494,635
Wicks Green	2	851,854	17,417	2,017				542,601	289,819			834,437
Elmore Back	2	500,000	70,582	429,418								429,418
Saul	1	180,000	176,811	3,189								3,189
Pump Expenditure Total		3,490,959	321,604	778,794	154,500	392,857	163,909	542,601	289,819	539,406	307,468	3,169,354
												0
												-1
Plant and Vehicles												
Energreen 1500		210,000		210,000								210,000
Energreen AU11 HCH		-25,000		-25,000								-25,000
Water Level Monitoring Equipment		8,000		8,000								8,000
Claas Mower		160,000			160,000							160,000
Class Mower OU07 JXX		-10,000			-10,000							-10,000
Kobelco Excavator		140,000			140,000							140,000
Hyundai WX12 CWL		-10,000			-10,000							-10,000
Energreen SPV3		400,000				400,000						400,000
Energreen VX65 HVB		-40,000				-40,000						-40,000
Kobelco Excavator		160,000					160,000					160,000
Kobelco Excavator WU16 TZM		-15,000					-15,000					-15,000
Isuzu Truck		35,000					35,000					35,000
Isuzu Truck WU17 NVD		-5,000					-5,000					-5,000
Energreen SPV2		300,000						300,000				300,000
Energreen VX65 HTA		-40,000						-40,000				-40,000
Ford Ranger Truck		40,000						40,000				40,000
Isuzu Truck VO62 RPY		-5,000						-5,000				-5,000
Loadall/Material Handler		90,000								90,000		90,000
Merlo Loadall WX08 OSY		-1,000								-1,000		-1,000
Plant and Vehicles Expenditure Total		1,392,000	0	193,000	280,000	360,000	175,000	295,000	0	89,000	0	1,392,000
												0
Capital Expenditure Total		4,882,959	321,604	971,794	434,500	752,857	338,909	837,601	289,819	628,406	307,468	4,561,354

Lower Severn (2005) Internal Drainage Board

CASH FLOW

2020/21

		2020										2021		
	Note	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
		£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
		actual	actual	actual	actual	forecast	forecast	forecast	forecast	forecast	forecast	forecast	forecast	forecast
NatWest No. 1 A/c														
Balance b/f			55	162	218	502	65	62	51	85	64	54	50	50
Other income	3		0	1	7	3	2	3	2	3	2	3	2	3
Plant Sales			0	25	0	0	0	0	0	0	0	0	0	0
VAT			8	45	2	6	15	15	25	25	27	23	35	14
Levies	1		18	290	353	0	0	0	0	640	0	0	0	0
Rates	2		48	39	13	20	0	0	0	0	0	0	0	0
sub total			129	562	593	531	82	80	78	753	92	80	88	67
Expenditure	3		-33	-10	-17	-34	-34	-34	-34	-34	-34	-34	-34	-34
Plant			0	-245	0	0	0	0	0	0	0	0	0	0
Pump Expenditure			-14	-17	-20	-60	-60	-120	-120	-130	-100	-180	-100	-30
EA Levy			0	-12	0	-12	0	0	-13	0	0	-12	0	0
Salaries (paid via No.2 A/c)			-60	-60	-54	-60	-75	-75	-75	-75	-54	-54	-54	-54
Net transfers	3		140	0	0	-300	150	200	250	-450	150	250	150	100
sub total			33	-344	-91	-466	-20	-30	7	-690	-38	-30	-38	-18
Balance c/f		55	162	218	502	65	62	51	85	64	54	50	50	49
Other balances														
NatWest														
No 2 Account		32	35	37	33	33	33	33	33	33	33	33	33	33
Bonus Saver	4	40	0	0	0	300	150	150	150	600	450	400	250	150
Deposit Account	5	705	605	605	605	605	605	405	405	405	405	205	205	205
Lloyds Deposit	6	284	284	328	328	328	328	328	78	78	78	78	78	78
Total		1,061	924	970	966	1,266	1,116	916	666	1,116	966	716	566	466
Developers Funds Cash														
Lloyds Deposit	6	120	120	76	76	76	76	76	76	76	76	76	76	76
All LSIDB balances		1,236	1,206	1,264	1,544	1,407	1,254	1,043	827	1,256	1,096	842	692	591
LSIDB Working Cash		563	514	614	887	781	660	529	395	913	819	696	610	515
Capital Reserve		553	572	574	581	550	519	437	356	266	202	71	6	0
Developer Reserve		120	120	76	76	76	76	76	76	76	76	76	76	76
		1,236	1,206	1,264	1,544	1,407	1,254	1,043	827	1,256	1,096	842	692	591

1. Levies received May and November

2. Rates received in May

3. Income and Expenditure as per Budget profile.

4. Direct Reserve - instant access earns 0.01% interest

5. Deposit Account - 35 Day Notice earns 0.1% interest

6. Deposit Account - 32 Day Notice earns 0.1% interest

Lower Severn (2005) Internal Drainage Board

Reconciliation of cash as per the Balance Sheet and the Cash Flow Statement

	£	£
Balance Sheet as at 30 June 2020		
Cash at bank and in hand	535,026	
Short term Deposits	1,009,249	
Less Petty Cash	138	
Cash at Bank	<u>1,544,137</u>	
 LSIDB Working Cash	 921,228	
Capital Expenditure Reserve	546,656	
Developer Reserve	<u>76,253</u>	
	<u>1,544,137</u>	

Investments

	As at 30 June 2020
	£
Capital	
Amount through Smith & Williamson (net)	650,000
Market value	<u>745,712</u>
Change in value	95,712
Income	<u>19,121</u>
Total return	<u>114,833</u>
 Portfolio return since 31 December 2018	 11.67%
Note: Market Index Movements	
MSCI WMA Balanced NR	10.12%
MSCI World NR	24.01%
MSCI ACWI (All Countries World Index)	22.34%

Developers Funds as at 30 June 2020

	£
Developer Reserve as per Balance Sheet	<u>841,086</u>
Funds held as:	
Investments	764,833
Cash held at Bank	<u>76,253</u>
	<u>841,086</u>

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Cash Flow Forecast for 2020/21 to 2024/25

	2020/21	2021/22	2022/23	2023/24	2024/25
Summary	£000's	£000's	£000's	£000's	£000's
Working Capital	516	426	287	380	324
Capital Reserve	-1	95	-23	113	-105
Developers Reserve	76	31	-16	-64	-114
Total Cash at Bank	591	552	248	429	105
Cash Brought Forward	1,236	591	552	248	429
Income	1,675	1,725	1,794	1,845	1,943
Expenditure	-2,255	-1,664	-1,959	-1,755	-2,204
Add back Depreciation	144	183	237	227	255
Less Capital Purchases	-209	-283	-376	-136	-318
Cash at year end	591	552	248	429	105

	£000's	£000's
Cash at Bank - 1 April 2020		
Number 1 Account	55	
Number 2 Account	32	
Bonus Saver	40	
Deposit NatWest	705	
Deposit Lloyds	404	
		1,236
Working Capital	563	
Capital Reserve	553	
Developers Reserve	120	
		1,236
Difference		0

	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's
Detail					
Working Capital					
Cash Brought Forward	563	516	426	287	380
Income	1,675	1,725	1,794	1,845	1,943
Expenditure	-1,432	-1,465	-1,519	-1,543	-1,611
Transfer to Capital Reserve	-225	-250	-275	-300	-325
Add back Depreciation	144	183	237	227	255
Less Capital Purchases	-209	-283	-376	-136	-318
Cash at year end	516	426	287	380	324
Capital Reserve					
Cash Brought Forward	553	-1	95	-23	113
Transfer from working capital	225	250	275	300	325
Expenditure	-779	-154	-393	-164	-543
Cash at year end	-1	95	-23	113	-105
Developers Reserve					
Cash Brought Forward	120	76	31	-16	-64
Income from Developers	0	0	0	0	0
Expenditure	-44	-45	-47	-48	-50
Cash at year end	76	31	-16	-64	-114

REVIEW OF RESERVES

Introduction

The current and the proposed Capital Financing and Reserves Policy, which is attached, states that each reserve will be reviewed, on an annual basis, by the Treasury Sub-Committee prior to review by the Board.

The Good Governance Guide published by the Association of Drainage Boards (ADA) when considering reserves states:

‘As a general rule, in the absence of a specific cause, an IDB can regard this to be a normal year’s expenditure, less any grant funding received, being retained.’

The Board’s expenditure for the year ended 31 March 2020 was £1,596,691.

Level of Reserves as at 31 March 2020

Capital Account	£	666,569
Developers Fund	£	787,963
Revaluation Reserve	£	144,583
Capital Expenditure	£	553,394
Pension Reserve	£	-951,000
Accumulated Fund	£	546,655 (34.24% of annual expenditure)

Recommendation

That the level of reserves are reviewed and observations are forwarded to the Finance and General Purposes Committee and the Full Board for their consideration.

Martin Dear

Accounts Officer

LOWER SEVERN (2005) INTERNAL DRAINAGE BOARD

Capital Financing and Reserves Policy

To be approved by the Board on 23rd September 2020

Introduction

Reserves are an essential part of good financial management. They help the Board cope with unpredictable financial pressures and plan for future spending commitments. The purpose of this Reserves policy is to maintain an adequate level of funds to support the ongoing operations of the Board and to provide a source of internal funds for operational priorities such as rhine and ditch maintenance, pumping station running costs and repair, capital replacement and improvement programmes.

The Reserves policy will complement other governance and financial policies and will support the goals and strategies contained in strategic and operational plans.

Background

The Board is required to set a balanced budget annually, which broadly means that cash raised within the year correlates to the cash expended in that year. However variances to the budget will occur. This may result in surplus funds through unbudgeted income such as Developer Contributions, better values achieved on the sale of assets or additional income from grants, contributions and recharges. Expenditure might be greater than budgeted for example such as lower values achieved on sales of assets, greater maintenance costs than predicted or an increase in pump electricity usage.

There will also be the funding of major (capital) spend. Most purchases, mainly vehicles and plant, are resourced through internal funds which are then replenished through appropriate depreciation charges based upon the life of the assets.

However, there may be instances where monies need to be identified to fund larger capital spend items such as the replacement of pumps or significant flood alleviation and land drainage management schemes. When this occurs forward planning will need to take place in order to ensure that sufficient funds are available at the appropriate times.

Importantly, there is a requirement to manage cash flows to ensure that cash is available when needed.

Types of Reserve

There are two types of Reserves:

- Earmarked Reserves – funds that are set aside to meet known or future predicted future spending.

- Unallocated Reserves – funds that are working balances to manage cash flow and protect annual budgets against unplanned expenditure.

Reserves Held

Earmarked

- **Capital Account**

This reserve consists of the total net value/worth, (assets less liabilities) of the Individual Drainage Boards when they amalgamated in 2005 to become one entity, the Lower Severn (2005) Internal Drainage Board.

- **Developers Funds**

This reserve consists of sums received from Developers. A Developer will pay the Board an agreed sum, up front, for the Board to maintain agreed rhines, ditches and ponds over the lifespan of the Developers project within the Developers specified areas of responsibility.

Annually, an amount will be transferred from this Reserve to the Income and Expenditure Account, to cover the applicable income and maintenance costs in that year. Within the Income and Expenditure Account there will be an income entry showing the transfer of funds. The corresponding expenditure will be shown within the relevant expenditure headings.

- **Capital Expenditure**

This reserve is, needed to regularly appropriate from the expected excess income arising annually from the Income and Expenditure Account a sum of such magnitude as to be sufficient to cover the expected cost of the Board's approved capital expenditure which is incorporated into its medium term financial plan. The major element of this reserve will be to cover the expected cost of replacing pumps at pumping stations to meet the 2009 Eel Regulations.

Subsequent to the purchase of an asset, annual depreciation will be applied at its appropriate rate and charged to the Income and Expenditure Account.

- **Pension**

This reserve is the liability, of the Board, related to the defined benefit pension scheme. Note it is a negative reserve.

- **Revaluation**

This reserve is the increase in value of land and buildings, from cost, as at 15 January 2015.

Unallocated

- **Accumulated Fund**

This reserve provides protection against unplanned expenditure. Any under spend, at the year end, is transferred to this reserve. Any over spend, at the year end, is met from this reserve.

Review of Reserves

Each reserve will be reviewed, on an annual basis by the Treasury Sub-Committee prior to review by the Board. The Board's review will form part of the annual budget setting process. Part of this review will include considering guidance published by the Association of Drainage Authorities.

Creation / Cessation of a Reserve

An earmarked reserve may be created for a specific purpose if it is agreed by the Board. Likewise the Board may close an earmarked reserve if it is no longer required. Any remaining funds in a Reserve to be closed will be transferred to another reserve.

Level of Reserves Held

The Board has no legal powers to hold reserves other than those for reasonable working capital needs, or for specifically earmarked purposes.

Earmarked Reserves will only be held for genuine and intended purposes and their levels regularly reviewed. Each Earmarked Reserve will be separately identified and enumerated.

In practice Auditors consider a Board to be acting properly if the level of the Unallocated Reserve (Accumulated Fund) is a normal year's expenditure less any grant funding received.

If, at the year end, the Accumulated Fund is over 25% higher or lower than the normal years expenditure less any grant funding received then an explanation will be provided by the Board. The Board's Financial Regulations state that the general provision, including a contingency, should be maintained which is a normal year's expenditure less any grant funding received.

Liquidity of Reserves

Reserves will be held jointly in general cash and investment accounts of the Board.